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Transcript Exhibit(s)

Docket #(s): W-01521A-09-0121

Exhibit #: 31

AZ CORP COMMISSION
DOCKET CONTROL

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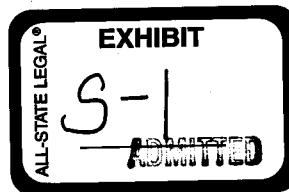
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Arizona Corporation Commission

DOCKETED

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MEMORANDUM

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ARIZ. CORP. COMMISSION
DOCKET CONTROL

TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division

Date: January 13, 2011

RE: **STAFF REPORT FOR SUE JUAN WATER - APPLICATION FOR APPROVAL OF THE SALE OF ITS ASSETS TO THE CITY OF BENSON AND CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-01521A-09-0121)**

Attached is the Staff Report for Sue Juan Water Company's Application for approval of the sale of its Assets to The City of Benson and Cancellation of its Certificate of Convenience and Necessity for water service in Cochise County, Arizona. Staff is recommending approval with conditions.

SMO:BNC:kdh

Originator: Blessing Chukwu

RECEIVED

JAN 13 2011

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

Service List for: Sue Juan Water Company
Docket No. W-01521A-09-0121

Mr. Chester C. Antonick, Sr.
Sue Juan Water Company
10570 South Nogales Highway
Tucson, Arizona 85706

Mr. Glenn Nichols
City Manager
The City of Benson
120 W. 6th Street
Benson, Arizona 85602

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

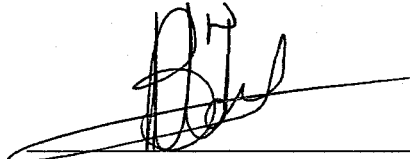
SUE JUAN WATER COMPANY
DOCKET NO. W-01521A-09-0121

APPLICATION FOR APPROVAL OF THE SALE
OF ITS ASSETS TO THE CITY OF BENSON AND CANCELLATION OF ITS
CERTIFICATE CONVENIENCE AND NECESSITY


JANUARY 13, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Sue Juan Water Company (Docket No. W-01521A-09-0121) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'B. Chukwu', written over a horizontal line.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Del Smith', written over a horizontal line.

Del Smith
Engineering Supervisor

**EXECUTIVE SUMMARY
SUE JUAN WATER COMPANY
DOCKET NO. W-01521A-09-0121**

On March 16, 2009, Sue Juan Water Company ("Sue Juan" or "Company" or "Transferors") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to The City of Benson ("City" or "Transferee") and cancellation of its Certificate of Convenience and Necessity ("CC&N") for water service in Cochise County, Arizona. On November 16, 2010, Staff filed a Sufficiency Letter indicating that the Application had met the sufficiency requirements of the Arizona Administrative Code.

Sue Juan is a sole proprietorship that provides potable water service to 76 customers, in Cochise County, Arizona. The Commission granted the Company a CC&N in Decision No. 30027, issued on December 24, 1956. The Company's CC&N is located on State Highway 80 approximately one mile south of Interstate 10 within the City of Benson boundaries. Sue Juan serves an area approximately 90 acres in size. The Company's CC&N area is completely surrounded by the City of Benson water system and is completely within the City limits. The City has assumed all service obligations within Sue Juan's CC&N area, is serving and will continue to serve all the customers of Sue Juan. The City has taken all of Sue Juan's wells off line and now supplies water from other areas in the City that meets the arsenic standard. The City is planning to cap off Sue Juan's wells and decommission the tanks and pumps during its 2011 budget cycle. According to the Application, no customer security deposits need to be refunded; no refunds are due on meter and service line installations; and no refunds are due on Main Extension Agreements.

Staff concludes that the proposed Sue Juan Sale of Assets and CC&N cancellation will not have an adverse effect on customers and their water service. Staff concludes that the City has taken several steps to address system deficiencies since it assumed the operational obligations for serving Sue Juan customers.

Staff recommends the Commission approve Sue Juan' Application for the sale of its assets to the City of Benson and cancellation of its CC&N for water service within portions of Cochise County, Arizona, subject to compliance with the following condition:

1. That Sue Juan be required to file with Docket Control, as a compliance item, in this docket, copies of all documentation transferring ownership of its water system and assets to the City, within 120 days of the effective date of a decision in this matter.
2. That Sue Juan be required to file with Docket Control, as a compliance item, in this docket, by June 30, 2011, a copy of the completed Notice of Well Capping filed with the Arizona Department of Water Resources ("ADWR"). The Notice of Well Capping Form and the instructions for filling out this form are available at the following web sites:

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/55-39NoticeofWellCapping_rev_2_11_09.pdf

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/documents/55-39instructionsWellCapping_rev6_2010ZZ.pdf

Staff further recommends that the Commission's Decision granting the approval of the sale of assets to the City and the cancellation of the CC&N be considered null and void, after due process, should Sue Juan fail to meet Conditions No. 1, and 2 listed above within the specified time.

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INTRODUCTION

On March 16, 2009, Sue Juan Water Company ("Sue Juan" or "Company" or "Transferors") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to The City of Benson ("City" or "Transferee") and cancellation of its Certificate of Convenience and Necessity ("CC&N") for water service in Cochise County, Arizona.

On November 16, 2010, Staff filed a Sufficiency Letter indicating that the Application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

BACKGROUND

Sue Juan is a sole proprietorship that provides potable water service to 76 customers, in Cochise County, Arizona. The Commission granted the Company a CC&N in Decision No. 30027, issued on December 24, 1956. The Company's CC&N is located on State Highway 80 approximately one mile south of Interstate 10 within the City of Benson boundaries. Sue Juan serves an area approximately 90 acres in size.

Sue Juan's CC&N area is completely surrounded by the City of Benson water system and is completely within the City limits. The City has assumed all service obligations within Sue Juan's CC&N area, is serving and will continue to serve all the customers of Sue Juan. The City has taken all of Sue Juan's wells off line and now supplies water from other areas in the City that meets the arsenic standard. The City is planning to cap off Sue Juan's wells and decommission the tanks and pumps during its 2011 budget cycle.

THE WATER SYSTEM

According to the Company's 2009 Annual Report filed with the Commission, its water system consists of two wells (ADWR Well ID Nos. 55-85857 and 55-626284), two storage tanks, two booster pumps, three pressure tanks and 76 customer meters. Staff checked Annual Reports prior to 2009 and did not find any data on the size and length of distribution mains in Sue Juan's distribution system. Since the City plans to decommission the wells, tanks and pumps during its 2011 budget cycle, Staff recommends that the Company file, as a compliance item, in this docket, by June 30, 2011, a copy of the completed Notice of Well Capping filed with the Arizona Department of Water Resources ("ADWR"). The Notice of Well Capping Form and the instructions for filling out this form are available at the following web sites:

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/55-39NoticeofWellCapping_rev_2_11_09.pdf

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/documents/55-39instructionsWellCapping_rev6_2010ZZ.pdf

THE TRANSACTION

Sue Juan' CC&N area is located on State Highway 80 approximately one mile south of Interstate 10 within the City of Benson's boundaries, in Cochise County, Arizona. The CC&N area is approximately 90 acres in size.

By this Application, Sue Juan is seeking Commission authority to sell its assets to the City and cancel its CC&N, in the location described above.

On January 26, 2009, the Mayor and City Council of the City of Benson passed and adopted Resolution No. 7-2009 approving and authorizing the execution of an agreement between the City and Sue Juan for purchase and sale of a portion of the business assets of Sue Juan; approving execution of the agreement and all related documents; and expenditure of the funds required for the transaction. In March 2009, the City acquired Sue Juan's assets. The Company's CC&N area is surrounded by the City of Benson water system and is within the City limits. In the past, the City built water lines that looped around Sue Juan's water system because the Fire Department was concerned Sue Juan's system may not produce adequate fire flows. With the change of the arsenic level requirements, the Company did not have the resources to install an Arsenic Removal System. The City has taken all of Sue Juan's wells off line and now supplies water from other areas in the City that meets the arsenic standard. The City is planning to cap off Sue Juan's wells and decommission the tanks and pumps during its 2011 budget cycle. The City had a supply of low arsenic water from other wells and it was already being served to customers around this area, so it made sense for the City to take over service in Sue Juan's CC&N area. The City is serving and will continue to serve all the customers of Sue Juan. The City has assumed all service obligations within the Sue Juan's CC&N area. The City has replaced all the water meters in Sue Juan's system to match the type of meter that the City uses. The City has also moved customers that are on the south side of Sue Juan's system over to City lines in the next higher pressure zone to give them better water pressure. (See Letter from Glenn Nichols, City Manager, docketed October 28, 2010).

The City sent three notices to the affected Sue Juan's customers via US mail, on February 28, 2008, March 3, 2008, and April 6, 2009, informing them of the acquisition and the change in the water service provider. (See Attachment C for copies of the three notices).

According to the Application, no customer security deposits need to be refunded; no refunds are due on meter and service line installations; and no refunds are due on Main Extension Agreements.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Staff was informed by ADEQ that the Sue Juan's water system, ADEQ Public Water System ("PWS") ID No. 02-032 became a service connection to the City as of February 1, 2009,

which means Sue Juan is no longer considered an active public water system and therefore there is no reportable compliance status for this system.

ADEQ regulates the City's water system under ADEQ PWS I.D. No. 02-005. Based on a Compliance Status Report, dated May 6, 2009, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

According to ADWR Compliance Status Report dated March 19, 2009, ADWR has determined that Sue Juan (PWS ID No. 02-032) is no longer an active public water system and therefore no longer regulated by ADWR.

ACC COMPLIANCE

According to the Utilities Division Compliance Section, the Company has no outstanding ACC compliance issues.

CROSS CONNECTION TARIFF

The Company has an approved cross connection tariff on file with the Commission, effective October 25, 1995.

PROPOSED RATES

Upon the acquisition of the Company's assets, the customers in the affected CC&N areas are being charged the City's rates for water service. The Company's rates are lower than that of the City.

RECOMMENDATIONS

Staff recommends the Commission approve Sue Juan' Application for the sale of its assets to the City of Benson and cancellation of its CC&N for water service within portions of Cochise County, Arizona, subject to compliance with the following condition:

1. That Sue Juan be required to file with Docket Control, as a compliance item, in this docket, copies of all documentation transferring ownership of its water system and assets to the City, within 120 days of the effective date of a decision in this matter.
2. That Sue Juan be required to file with Docket Control, as a compliance item, in this docket, by June 30, 2011, a copy of the completed Notice of Well Capping filed with the Arizona Department of Water Resources ("ADWR"). The Notice of Well Capping Form and the instructions for filling out this form are available at the following web sites:

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/55-39NoticeofWellCapping_rev_2_11_09.pdf

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/documents/55-39instructionsWellCapping_rev6_2010ZZ.pdf

Staff further recommends that the Commission's Decision granting the approval of the sale of assets to the City and the cancellation of the CC&N be considered null and void, after due process, should Sue Juan fail to meet Conditions No. 1, and 2 listed above within the specified time.

MEMORANDUM

DATE: November 16, 2010

TO: Blessing Chukwu
Executive Consultant III

FROM: Del Smith *DS*
Engineering Supervisor

RE: APPLICATION OF SUE JUAN WATER COMPANY FOR APPROVAL OF
THE SALE OF WATER SYSTEM ASSETS AND FOR CANCELLATION
OF CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET NO. W-01521A-09-0121)

Introduction

Sue Juan Water Company ("Sue Juan" or "Company") has applied to the Arizona Corporation Commission ("Commission") to sell its water system assets to the City of Benson ("City") and cancel its Certificate of Convenience and Necessity ("CC&N"). The Company was granted its original CC&N in Commission Decision No. 30027, dated December 24, 1956, to provide water service in Cochise County, Arizona.¹ The City purchased the Sue Juan Water Company's equipment and service area and has assumed the operational obligations for serving Sue Juan customers' potable water as defined by Arizona Department of Environmental Quality ("ADEQ").²

Reasons Given in Support of City's Purchase of Sue Juan

The City provided the following background information on its decision to buy Sue Juan to Commission Utilities Division Staff ("Staff"). The Sue Juan CC&N area is completely surrounded by the City of Benson water system and is completely within the City limits. In the past, the City built water lines that looped around the Sue Juan water system because the Fire Department was concerned the Sue Juan system may not produce adequate fire flows. With the change of the arsenic level requirements³, the Company did not have the resources to install an Arsenic Removal System. The City has taken all of

¹ The CC&N granted is located in Sections 15 and 22 of Township 17 South, Range 20 East and is more specifically located on State Highway 80 approximately one mile south of Interstate 10 within City boundaries.

² An Arizona Department of Environmental Quality Drinking Water Compliance Status Report for the Sue Juan water system dated April 1, 2009, reported that this system became a service connection to the City as of February 1, 2009.

³ The United States Environmental Protection Agency mandated arsenic maximum contaminant level went from 50 parts per billion to 10 parts per billion.

the Sue Juan wells in this area off line and now supplies water from other areas in the City that meets the arsenic standard. The City is planning to cap off Sue Juan's wells and decommission the tanks and pumps during its 2011 budget cycle. The City had a supply of low arsenic water from other wells and it was already being served to customers around this area, so it made sense for the City to take over service in the Sue Juan's CC&N area. The City is serving and will continue to serve all the customers of the Sue Juan Water Company. The City has assumed all service obligations within the Sue Juan CC&N area.⁴

The City has replaced all the water meters in the Sue Juan system to match the type of meter that the City uses. The City has also moved customers that are on the south side of the Sue Juan system over to City lines in the next higher pressure zone to give them better water pressure.

Since the City is planning to cap off Sue Juan's wells and decommission the tanks and pumps during its 2011 budget cycle, Staff recommends that the Company file with the Commission's Docket Control the appropriate Arizona Department of Water Resources ("ADWR") forms to update the status of these wells. The Notice of Well Capping Form and the instructions for filling out this form are available at the following web sites:

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/55-39NoticeofWellCapping_rev_2_11_09.pdf

http://www.azwater.gov/azdwr/WaterManagement/NOI/documents/documents/55-39instructionsWellCapping_rev6_2010ZZ.pdf

Staff further recommends that the Company file as a compliance item in this docket by June 30, 2011, a copy of the completed Notice of Well Capping Form including proof of filing with ADWR.

Sue Juan Water System Assets listed in the Company's Annual Reports⁵

The Company's Annual Report filed with the Commission for 2009 lists two wells (ADWR Well ID Nos. 55-85857 and 55-626284), two storage tanks, two booster pumps, and three pressure tanks and 76 customer meters.⁶ As previously discussed the City plans to decommission the wells, tanks and pumps during its 2011 budget cycle.

ADEQ Compliance Status

⁴ See Letter from Glen Nichols, City Manager, docketed October 28, 2010.

⁵ Exhibits A and B to the Purchase Agreement did not include a list of assets to be sold by the seller and purchased by the buyer as indicated.

⁶ Staff checked Annual Reports prior to 2009 and did not find any data on the size and length of distribution mains in the Sue Juan distribution system.

Staff was informed by ADEQ that the Sue Juan water system, ADEQ Public Water System ("PWS") ID No. 02-032 became a service connection to the City as of February 1, 2009, which means Sue Juan is no longer considered an active public water system and therefore there is no reportable compliance status for this system.

ADEQ regulates the City water system under ADEQ PWS I.D. No. 02-005. Based on a Compliance Status Report, dated May 6, 2009, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ADWR Compliance

ADWR has determined that Sue Juan (PWS ID No. 02-032) is no longer an active public water system and therefore no longer regulated by ADWR.⁷

Commission Compliance

A check with the Utilities Division Compliance Section showed no delinquent compliance items for Sue Juan.⁸

Summary

Conclusions

1. Staff concludes that the proposed Sue Juan Sale of Assets and CC&N cancellation will not have an adverse effect on customers and their water service. Staff concludes that the City has taken several steps to address system deficiencies since it assumed the operational obligations for serving Sue Juan customers.
2. Staff was informed by ADEQ that the Sue Juan water system is no longer considered an active public water system and therefore there is no reportable compliance status for this system.
3. ADEQ regulates the City water system under ADEQ PWS I.D. No. 02-005. Based on a Drinking Water Compliance Status Report, dated May 6, 2009, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.
4. ADWR has determined that Sue Juan (PWS ID # 02-032) is no longer an active public water system and therefore no longer regulated by ADWR.

⁷ Compliance status as of March 19, 2009.

⁸ Compliance status as of April 13, 2009.

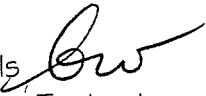
5. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Sue Juan.


Recommendation

1. Staff recommends that the Company file as a compliance item in this docket by June 30, 2011, a copy of the completed Notice of Well Capping Form including proof of filing with ADWR.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: April 13, 2009

RE: **SUE JUAN WATER COMPANY (DOCKET NO. W-01521A-09-0121)**

Sue Juan has filed an application to cancel their CC#N. Their area will be served by the City of Benson.

Attached is a copy of the map for your files.

:bsw

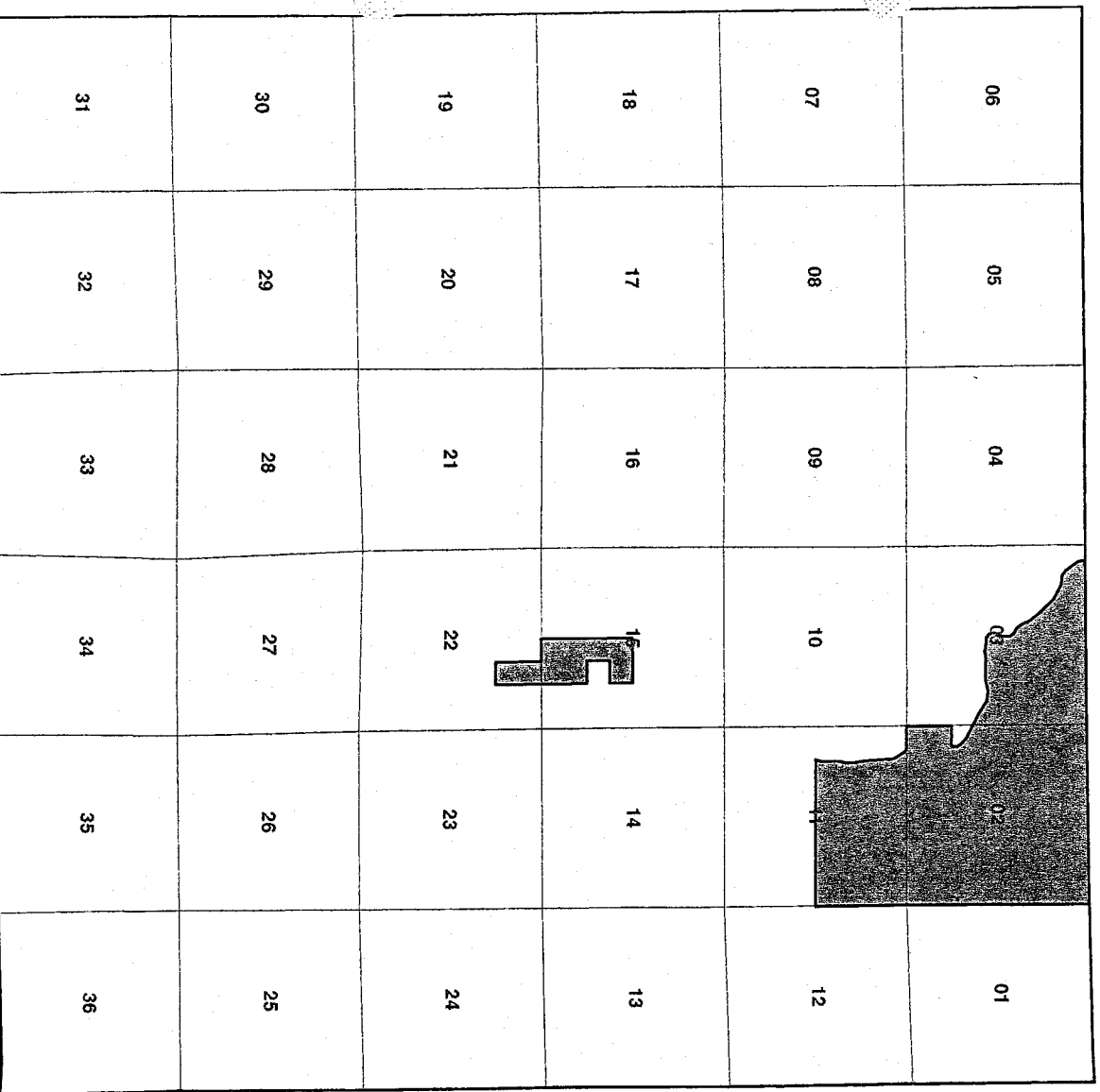
Attachments

cc: Mr. Ronald Newman
Mr. Thomas Benavidez
Ms. Deb Person (Hand Carried)
Mr. Del Smith

COCHISE COUNTY

Map No. 10

RANGE 20 East



TOWNSHIP 17 South



Pomereene Domestic Water Improvement District



Sue Juan Water Company

Sue Juan Water Company
Docket No. W-01521A-09-0121
Application to Cancel - To
City of Benson



PO Box 2223
120 West 6th Street
Benson, AZ 85602
(520)586-2245
(520) 586-3375 fax

City of Benson

February 25, 2008

To Whom It May Concern:

The City of Benson is in its due diligence period to acquire the Sue Juan Water System. If the City acquires the Sue Juan Water System we will provide water of low arsenic levels as required by the Arizona Department of Environmental Quality and the United States Environmental Protection Agency.

A meeting with the customers of Sue Juan Water System is being scheduled in March to discuss the requirements and concerns regarding the acquisition of the Sue Juan Water System. Following the Public Meeting, this item shall go before the City Council for a decision.

Contact me if you have any questions at (520)586-2245.

Sincerely,

Bradley J. Hamilton P.E.
Director of Public Works / City Engineer



PO Box 2223
120 W. Sixth St.
Benson, AZ 85602
(520) 586-2245
(520) 586-3375 fax

City of Benson

March 3, 2008

Dear Sue Juan Water Customer:

The City of Benson is currently considering the acquisition of the Sue Juan Water system. As part of the City's decision process we would like to gain input from the current customers of the Sue Juan system and address any concerns that you may have about becoming a customer of the City of Benson.

The City Officials and Staff would like to invite you to meet with us on:

March 13, 2008
6:30 – 7:30 p.m.
City Council Chambers
120 W. 6th Street
Benson, AZ

Sincerely,

Bradley J. Hamilton, P.E.
Director of Public Works/City Engineer



PO Box 2223
120 West 6th Street
Benson, AZ 85602
(520) 586-2245
(520) 586-3375 fax

City of Benson

April 6, 2009

Dear New Water Customer:

Your water service is now supplied by the City of Benson. As of March 2009 the City of Benson acquired the Sue Juan Water Company. Your first billing for the water should be reflected in your April bill from the City, along with the other services the City provides to you. You can view the Consumer Confidence Report for 2008 on the City of Benson's web-site at www.cityofbenson.com. This report provides information on the quality of water you are provided by the City of Benson.

In the months ahead the City will be upgrading meters and monitoring the water system in your area. This may result in short term outages as necessary to make upgrades to the system. Should you have any problems or questions regarding your water service, please contact City Hall at (520)586-2245. In case of an emergency, call (520)586-9454 or 911.

The City of Benson looks forward to providing water service to you. Again please contact us if you have any questions regarding your water service.

Sincerely,

Bradley J. Hamilton, P.E.
Director of Public Works / City Engineer